

SCOPE OF WORK

SCOPE OF WORK: The purpose of stating an appraisal assignment's specific scope of work is to inform the intended user(s) of the types of research and analysis performed, the type and complexity of the appraisal problem at hand, and the development of applicable assignment parameters, such as extraordinary assumptions, hypothetical conditions, general assumptions, and limiting conditions. The effective date of value is April 10, 2019. Because our work regarding the subject properties for this assignment was after the effective date, this analysis represents a retrospective market value estimate.

The Appraisal Process: We employed the appraisal process to estimate the retrospective market value of the fee simple interest in the properties as existed before and after Houston Community College System's ("HCC") acquisition of Westside Ventures, Ltd.'s real property interest generated by deed restrictions imposed on the neighboring HCC Property, as of April 10, 2019, and the compensation due, if any, as follows:

- Research and analyze the region in which the property is located;
- Research and analyze the market area in which the property is located;
- Inspect the property and market area;
- Research and analyze the physical, legal and economic characteristics of the property to estimate the highest and best use before and after HCC's acquisition, as of April 10, 2019;
- Research and analyze the credible, reliable, and generally accepted approaches available to appraisers to utilize in estimating the retrospective market value of the property before and after the HCC's easement acquisition, as of April 10, 2019;
- Research and analyze similar competitive land sales that occurred within the subject market area;
- Employ the land sales comparison approach to develop opinions of the retrospective market value of the property before and after the HCC's acquisition; and,
- Report our findings and conclusions.

We interviewed buyers, sellers, brokers, and other knowledgeable individuals in the market area. We reviewed and analyzed documents provided by the client and market participants and other public records, including, but not limited to, real property records, subdivision plats, tax records, demographic data, pipeline maps and flood insurance rate maps. We have maintained a file of the facts, data and other materials we considered. Additionally, we inspected the subject property and the market area in which it is located.

The Westside Properties: The subject property appraised consists of four non-contiguous tracts of effectively vacant land ("Tracts A-D") owned by Westside Ventures, Ltd. ("Westside"), generally located northeast of the Grand Parkway and IH-10 interchange in Harris County, Texas 77449. Before the taking, Westside controlled the use of surrounding land it previously owned by imposing deed restrictions on properties it sold over the years, including the 25.17 acres of land that was purchased by HCC ("HCC Property") on April 10, 2019.²

² Harris County Clerk File Number (H.C.C.F. No.) RP-2019-144275, as to HCC's 25.15-acre land purchase.

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The Restrictions: In 2007 when Westside conveyed the 25.17 acres as part of a larger parcel to Kickerillo Company, Inc., Westside restricted the property solely to Single Family Residential Use. This restriction solely to single-family residential use, however, was amended in 2012 when office and office warehouse uses became legally permissible uses of the property. As outlined in the First Amendment to Cash Special Warranty Deed executed June 6, 2012, at the time HCC purchased the 25.17 acres, the property was restricted to be:

“...used solely for Single-Family Residential Use, Office Building Use and/ or Office Warehouse Use.”³

In contrast to the above, the Court’s October 7, 2021, Opinion on Partial Summary Judgement sets forth in Paragraph I, Introduction that “[t]he college bought property that had been sold by Westside Ventures restricted for single-family homes.” The Opinion later states in Paragraph 3C, Inverse Condemnation that “[t]he deed restriction limited the property to single-family homes.” For the purposes of our analysis and scope of work, we have considered legally permissible uses of the 25.17 acres to include **single-family residential use, office building use and/or office warehouse use** as amended and expanded in 2012 in contrast to the prior 2007 restriction solely to single-family residential use.

The Sales Comparison Approach: We employed the sales comparison approach to estimate the retrospective market value of the subject properties before HCC’s acquisition, as of April 10, 2019. We did not utilize the cost and income approaches to develop our opinions of market value as the market does not rely on these methodologies in consideration of the subject property type in this market area. We researched and identified land sales of comparable properties within and near the market area. We utilized, amongst other things, a paired sales analysis to estimate the retrospective market value of the subject property after the HCC acquisition to estimate the diminution in value, if any, associated with the removal of Westside’s deed restrictions that previously encumbered the HCC Property.

Upon completion of relevant analyses, all data was reviewed for its completeness and accuracy, and we reconciled each value indication developed by the applicable approaches before concluding to a final value opinion of the subject property in the Before instance and in the After instance. A discussion of relevant characteristics, influences, approaches considered, our analyses, and our conclusions follow. A summary of our research and analysis is contained within this Appraisal Report.

³The Westside deed restrictions recorded in H.C.C.F No. 2007.0597825 (Cash Special Warranty Deed, dated September 28, 2007), as amended by H.C.C.F No. 2012.0274574 (First Amendment to Cash Special Warranty Deed, executed June 6, 2012). The HCC Property is part of the real property described as the “East Tract” in both deed records. A Second Amendment to Restrictions was executed on August 9, 2017, recorded under H.C.C.F No. RP-2017-460924; however, this amendment does not impact the HCC Property.

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This Appraisal Report complies with Standard 2-2(a) of the *Uniform Standards of Professional Appraisal Practice (USPAP)* and summarizes the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions, and conclusions. The level of the discussion presented in this Appraisal Report is specific to the needs of the client and the intended use of the appraisal. Additional data considered as part of our appraisal analysis and utilized to estimate the retrospective market value of the subject property is contained within and part of our work file for this appraisal.

DEFINITION OF MARKET VALUE: Market Value as used herein is defined as:

Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of value, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property.⁴

DEFINITION OF RETROSPECTIVE VALUE OPINION: Retrospective Value Opinion is defined as:

A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date.⁵

The effective date utilized in our appraisal of the property before and after the Houston Community College System District's acquisition is April 10, 2019.

DEFINITION OF FEE SIMPLE INTEREST: Fee Simple Interest as used herein is defined as:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.⁶

⁴ *Uniform Appraisal Standards for Federal Land Acquisitions 2016*

⁵ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 7th ed. (Chicago: Appraisal Institute, 2022)

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DEFINITION OF DEED RESTRICTION: Deed restriction as used herein is defined as:

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners.⁷

Westside Ventures used deed restrictions to control the use of surrounding land, including the 25.17 acres of land that was purchased by HCC (“HCC Property”) on April 10, 2019.⁸ Prior to the taking, Westside’s deed restrictions limited the use of the HCC Property to single-family residential, office building and/or office warehouse use.⁹

EXPOSURE TIME: Exposure time as used herein is defined as:

An opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.¹⁰

Based upon our interviews with market participants and comparable market data, the estimated exposure time for the property, both, before and after the taking to be approximately 6 to 12 months.

COMPETENCY PROVISIONS: We have significant experience developing opinions of retrospective market value of properties similar to the subject property and providing owners, buyers and sellers counsel regarding valuation of similar properties. As such, we completed this assignment with competence.

JURISDICTIONAL EXCEPTION: This appraisal assignment is subject to the Uniform Standards of Professional Appraisal Practice’s (USPAP) **Jurisdictional Exception Rule** and if any part of the report is contrary to the public legal restrictions that govern this property and assignment, only the specific portion of the standard shall be void and not applicable to this assignment.

PRIOR APPRAISAL SERVICES: We have not performed any appraisal services related to the subject property within the three years prior to the date of this Appraisal Report.

⁷ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 7th ed. (Chicago: Appraisal Institute, 2022)

⁸ Harris County Clerk File Number (H.C.C.F. No.) RP-2019-144275, as to HCC’s 25.15-acre land purchase.

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¹⁰ Uniform Standards of Professional Appraisal Practice (Appraisal Standards Board of the Appraisal Foundation: Washington, DC: 2020-2021)